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SOVIET BLOC EXPANDING TRADE WITH WEST

The Soviet Bloc is obtaining economic and political advantage from a limited expansion of trade with the West. We estimate that the value of trade with the West will rise from the 1952 level of \$1,700,000,000 each way to \$2,000,000,000 in 1953. Moreover, bloc countries are making trade agreements with some Western countries for the first time since the war. This trend is a reversal of the steady decline in trade with the West over the last three years.

Within the last two months, the USSR has negotiated trade agreements to triple its trade with France, double it with Denmark, and to increase it substantially with Greece and Iran. A very large trade agreement, the first to be negotiated between Argentina and the USSR since 1947, is about to be signed. The Soviet Bloc's trade with all of Latin America in 1953 will be substantially greater than last year.

Within the last few weeks the USSR has, in addition, made unusual purchases of food products from the West, outside of formal trade agreements. These include butter purchases from the Netherlands

and Denmark and orders for frozen meats from Australia. Moreover, substantial increases are to be expected in Soviet imports of strategic goods from the West outside normal trade channels, bypassing Western export controls.

The primary reason for the limited trade expansion is the bloc's willingness to increase exports of such commodities as grain, timber, petroleum, manganese and asbestos. At the same time the bloc's bargaining position in obtaining more strategic materials has been particularly improved by its unusual purchases of consumer goods. In this respect the bloc's position is better than last year because in several Western European countries markets for many types of consumer items are now depressed.

The truce in Korea is causing Western businessmen to pressure their governments to expand trade with China, even in strategic goods. British and French firms recently signed important trade contracts with the Chinese.

The bloc's trade overtures have been supported by a high-powered propaganda drive aimed particularly at US trade and tariff policies.

It is also attempting to play off one Western European country against another.

Thus the bloc is attempting to exploit friction between the US and other Western countries by capitalizing on growing economic difficulties in many of these Western countries and on their desire to replace aid with trade. At the same time, the bloc is attempting to increase imports from the West of certain Orbit-scarce raw materials and to expand imports of consumer goods to accompany its somewhat "softer" internal economic policy.